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January 26, 2011

The Honorable Dennis D. O'Brien
United States Bankruptcy Court
301 US Courthouse
300 S 4th St
Minneapolis, MN 55415

Re: Otter Tail Ag Enterprises, Inc.
Bankruptcy No. 09-61250

Dear Judge O'Brien,

The Debtor is filing the fully-executed "Solid Waste Agreement" that is part of the Sale Motion, and approval of which is incorporated into the Sales Procedure Order. The motion for approval of the Sales Procedure Order is scheduled for hearing tomorrow, January 27, 2011. There is one change from the executed stipulation and the stipulation originally filed and that change is found in paragraph 9. Paragraph 9 of the original Solid Waste Agreement stated, "The Bond Trustee and the County reserve all rights and remedies as between themselves." The revised paragraph 9 states, "The Bond Trustee and the County agree that the Initial Cash Distributions and all subsequent distributions of cash received from the Debtor shall be shared pro rata based on the Bond Trustee's claim of $20,000,000 and the County's claim of $6,010,000, and each such distributions shall be entitled to be retained by such party on account of such claims."

The revision to the Solid Waste Agreement relates specifically to the relationship between the two bond classes in this bankruptcy, and does not otherwise affect the debtor or any other parties' interests. The debtor does not view the revision as material and believes that the revised Solid Waste Agreement can be approved as a compromise under Bankruptcy Rule 9019 without further notice.

Very truly yours,

MACKALL, CROUNSE & MOORE, PLC

Mychal A. Bruggeman

Enclosures

1343888.1-MAB

EXHIBIT C: SOLID WASTE AGREEMENT

STIPULATION AND AGREEMENT FOR SALE AND LIQUIDATION OF ASSETS OF OTTER TAIL AG ENTERPRISES, LLC

This Stipulation and Agreement is made as of this 5th day of January 2011 by and among the Debtor Otter Tail AG Enterprises, LLC, as debtor and debtor in possession in Bankruptcy Number 09-61250, pending in the District of Minnesota ("Debtor"), and U.S. Bank National Association as indenture trustee (the "Bond Trustee") under the terms of that certain Trust Indenture dated as May 1, 2007 relating to certain Otter Tail County Minnesota Subordinate Exempt Facility Revenue Bonds issued in the principal amount of $20,000,000 (the "Revenue Bonds"), and Otter Tail County, Minnesota (the "County") (collectively, the "Parties" to this agreement) regarding the consensual sale and liquidation of all of the Debtor's assets and the distribution of certain assets of the bankruptcy estate:

1. Subject to entry of a final order approving this Stipulation and Agreement in form and substance acceptable to both the Bond Trustee and the County, the Bond Trustee and the County hereby consent to the Debtor's sale of substantially all of its assets (the "Sale") in accordance with the Debtor's Motion and Motion for Orders: (I) Approving Stalking Horse and Form of Asset Purchase Agreement; (II) Approving Break-Up Fee and Expense Reimbursement; (III) Approving Bidding and Auction Procedures (IV) Authorizing Debtor to Sell Assets Free and Clear of Liens, Claims, Interests, and Encumbrances; (V) Approving the Solid Waste Agreement relating to the sale of the Debtor's Solid Waste Facilities; (VI) Authorizing Assumption and Assignment or Rejection of Unexpired Leases and Executory Contracts; (VII) Approving Form and Notice of Sale; and (VIII) Scheduling Further Sale Hearing (the "Sale Motion").

2. The Parties hereby agree to entry of an order approving the Sale Motion, attached

thereto (the "363 Sale Order"), which shall not be amended without the prior consent of the County and the Bond Trustee.

3. Subject to the terms and conditions of this Stipulation and Agreement, the Parties hereby agree to entry of a final sales order, attached as Exhibit A hereto (the "Final Sale Order"), to be entered by the Court to authorize the Sale to the Successful Bidder in accordance with the 363 Sale Order and the Bidding Procedures. The Final Sale Order provides for a full and complete release by the Bond Trustee, in its capacity as indenture trustee, and the County in favor of the purchaser of all liens and interests in the Debtor's assets subject to the Sale, including the Debtor's solid waste facility, and related equipment, and the Bond Trustee and the County agree to execute further releases of their interests in connection with the Closing in accordance with such order, subject to the Debtor's compliance with its obligations under the 363 Sale Order and the Final Sales Order. No change shall be made to the Final Sale Order except for the substitution of the Stalking Horse Bidder for another Successful Bidder identified in accordance with the Bidding Procedures, without the prior consent of the County and the Bond Trustee.

4. Upon closing of the Sale and in accordance with the Final Sale Order, the Parties acknowledge that AgStar and NMF shall first receive proceeds in the amount of their allowed secured claims with appropriate adjustments for any portion of their secured claims that are assumed by the purchaser with their express consent, respectively. Subject to the indefeasible satisfaction of said secured claims at or in connection with the closing of the Sale, AgStar and NMF shall have no further claims against the Debtor or its bankruptcy estate and shall have no further rights against the Bond Trustee, the holders of the Revenue Bonds or the County under any intercreditor agreement. If no closing of a Sale occurs for any reason, nothing in this

Stipulation and Agreement shall affect, limit or impair the rights of AgStar or NMF as against the Bond Trustee, the holders of the Revenue Bonds or the County under any such agreement.

5. The Debtor agrees on behalf of the bankruptcy estate that Bond Trustee shall be deemed to have an allowed claim of $20,000,000, and that the County shall have an allowed claim of $6,010,000. Subject to the indefeasible payment of the secured claims of the senior lenders in accordance with Section 4 above, and in consideration of the consent of the County and the Bond Trustee to the Sale of assets of the Debtor free and clear of the subordinate liens and interests of the County and the Bond Trustee pursuant to the 363 Sale Order, the Bidding Procedures and the Final Sale Order, including without limitation all rights of the County and the Bond Trustee in certain of the Debtor's assets subject to the Sale by reason of their mortgage lien on the Debtor's real estate and fixtures and equipment, or any lease rights they may hold relating to the solid waste facilities, the Debtor hereby agrees on behalf of the bankruptcy estate that the Bond Trustee and the County receive a pro rata distribution at the time of the closing of the Sale of the "Initial Cash Distribution." The "Initial Cash Distribution" shall mean 70% of the cash and cash equivalent investments held by the Debtor as of the date of the closing of the Sale, including but not limited to amounts received at the closing of said Sale, net of the amounts needed to pay the secured lenders pursuant to Section 4 hereof. All distributions to the County and the Bond Trustee shall be final when made and shall be entitled to be retained by such party on account of their claim, and the Debtor and the bankruptcy estate shall no longer have any rights or interests therein. The Debtor agrees to make commercially reasonable efforts to maximize the amount of cash and cash equivalents held on such date. 30% of such cash and cash equivalents shall be retained in the bankruptcy estate as of the Closing Date for subsequent distribution as provided below. The Debtor shall pay Carl Marks and the Debtor's legal fees

from the 30% of cash and cash equivalents held back in the estate.

6. On or before the fifteenth (15th) business day following the closing of the Sale, the Debtor shall prepare an accounting of all of its assets remaining on hand and furnish it to the Bond Trustee and the County.

7. In further consideration of the consents by the Bond Trustee and County to the Sale free and clear of their respective interests as set forth in Section 5 hereof, on or before the seventeenth (17th) business day following the closing of the Sale, the Debtor agrees on behalf of the bankruptcy estate to pay an additional amount to the County and the Bond Trustee pro rata based on their respective allowed claims an aggregate amount equal to the value of the remaining assets held in the bankruptcy estate minus $2.5 million. The value of the assets to be retained shall be estimated in good faith by the Debtor, and such assets shall be retained in the bankruptcy estate for subsequent distribution to creditors in accordance with a plan of liquidation or otherwise in accordance with the Bankruptcy Code.

8. Thereafter, the Debtor shall, as quickly as reasonably possible, complete the liquidation of any remaining assets, pay any remaining allowed administrative claims, conduct any and all acts necessary to wrap-up the affairs of the Debtor, and pay a final distribution to all creditors pro rata based on the amount of their allowed claims in accordance with the Bankruptcy Code. Subject to all of the payments required by this Stipulation and Agreement having been paid to the County and the Bond Trustee as provided in Sections 5 and 7 herein, the remaining allowed claims of the County and the Bond Trustee thereafter shall be general unsecured claims.

9. The Bond Trustee and the County agree that the Initial Cash Distributions and all subsequent distributions of cash received from the Debtor shall be shared pro rata based on the Bond Trustee's claim of $20,000,000 and the County's claim of $6,010,000, and each such

distributions shall be entitled to be retained by such party on account of such claims.

10. The Debtor shall file a liquidation plan (or amend its existing plan), with consultation with the County and the Bond Trustee that is not inconsistent with this Stipulation and Agreement, but conversion of the case to chapter 7 shall not be a violation of this Stipulation and Agreement, and this Stipulation and Agreement shall remain effective, whether or not any plan is confirmed. Debtor agrees to use its best effort to minimize legal fees and administrative expense relating to any such plan.

11. This Stipulation and Agreement is subject to approval of the Bankruptcy Court on or before the date that the Court enters the 363 Sale Order, and shall be of no force and effect if not so approved. The Debtor agrees to use its best efforts to obtain such approval.

Dated: January 21, 2011

MACKALL, CROUNSE & MOORE, PLC

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Attorneys for Debtor

Dated: January __, 2011

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Dated: January 21, 2011

MACKALL, CROUNSE & MOORE, PLC

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Dated: January 25, 2011

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Dated: January 25, 2011

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